

Message Text

SECRET

PAGE 01 JIDDA 04297 151038Z

21

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 150850Z JUN 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1564

INFO AMCONSUL DHAHRAN

S E C R E T JIDDA 4297

EXDIS

DEPT: PASS DOD AND CHUSMTM DHAHRAN

E.O.: 11652: GDS

TAGS: PINT, MASS, SA

SUBJ: NORTHROP'S AGENT'S FEES

REF : A. JIDDA 4206; B. STATE 137147; C. STATE 138345;

D. STATE 135889

1. DURING AMBASSADOR'S CALL ON MINISTER OF STATE FOR FOREIGN AFFAIRS PRINCE SAUD BIN FAISAL JUNE 14, PRINCE RAISED QUESTION OF NORTHROP'S AGENT'S FEES. AMBASSADOR INFORMED PRINCE THAT HE GRATIFIED THAT PUBLICITY OVER GENT'S FEES TO SAUDI ARABIA SEEMED TO BE DIMINISHING, AND HE HOPED THAT PRINCE SULTAN'S LETTER WOULD MAKE SAG'S POSTURE CLEAR TO ALL. SAUD ASKED HOW SOON WOULD USG BE FORTHCOMING AS TO A STATEMENT ON THE CONDUCT OF FMS CASES.

2. THE AMBASSADOR REPLIED THAT WITH THE ISSUE SUBSID-ING, WE HAD NOT WANTED TO STIR MATTERS UP AGAIN WITH A PUBLIC STATEMENT ADDRESSED SOLELY AND SPECIFICALLY TO OUR FMS SALES TO SAUDI ARABIA. THE ISSUE WAS FOR THE USG OF COURSE A MUCH BORADER ONE, INVOLVING MANY COUNTRIES, AND WE PLAN SOON TO ADDRESS THE PROBLEM OF FMS CASES IN TESTIMONY BEFORE CONGRESS. WE BELIEVED THIS SHOULD SAT-ISFY THE SAG'S REQUIREMENTS.

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3. THE AMBASSADOR THEN TOLD SAUD HE WOULD BE SEEING PRINCE SULTAN ON SUNDAY, JUNE 15, AND AT THAT TIME WOULD INFORM HIM (PER REFS C AND D) THAT WE PROPOSED TO PROHIBIT IN THE FUTURE ALL COMMISSIONS IN FMS CASES UNLESS THEY WERE REASONABLE, SPECIFIC AND APPROVED BY THE SAG IN ADVANCE. PRINCE SAUD TOOK STRONG EXCEPTION TO THIS AND SAID AMBASSADOR SHOULD TAKE SULTAN'S WORDS AS THE SAG'S FORMAL AND FINAL REPLY. THERE SHOULD BE NO RPT NO AGENT'S COMMISSIONS IN THE FUTURE REGARDING FMS SALES CASES. HE ADVISED THE AMBASSADOR THAT TO PURSUE THE MATTER FURTHER WOULD IRRITATE AND ANGER PRINCE SULTAN. THE SAUDI LEGAL ADVISORS COULD NOT SEE WHY FROM A LEGAL POINT OF VIEW IT WOULD NOT BE POSSIBLE FOR U.S. CONTRACTING PROCEDURES TO COME UP WITH AN FMS CASE THAT WAS DEVOID OF ANY AGENT'S COMMISSIONS.

4. COMMENT: PRINCE SAUD WAS QUITE EMPHATIC IN HIS PRESENTATION AND AMBASSADOR ACCORDINGLY DOES NOT PLAY TO RAISE AGAIN THE QUESTION OF AGENT'S COMMISSIONS WITH PRINCE SULTAN ON JUNE 15. IN FUTURE FMS CASES, IF THERE ARE ANY UNAVOIDABLE EXPENSES THAT HAD IN THE PAST BEEN BUNCHED AS "AGENT'S FEES OR COMMISSIONS" (ALTHOUGH TO THE BEST OF OUR KNOWLEDGE NO SUCH SPECIFIC BILLING APPEARED IN LOA'S) THE COSTS OF SUCH SERVICES COULD BE INDIVIDUALLY SPELLED OUT IN THE LETTER OF OFFER. IF SULTAN DOESN'T APPROVE HE CAN TAKE THEM OUT. WE SHOULD AVOID ANY PERCENTAGE ALLOCATION OF THE TOTAL AMOUNT OF THE SALE THAT WOULD APPEAR TO SULTAN TO BE AN AGENT'S COMMISSION IN DISGUISE.

5. WITH REGARD TO THE INTERVAL BETWEEN SULTAN'S RECEIPT OF ELLSWORTH'S LETTER OF MARCH 6 AND HIS REPLY OF MAY 17 WE HAVE NO WAY OF KNOWING FOR CERTAIN WHEN THE LETTER ARRIVED (IT CAME VIA INTERNATIONAL MAIL) AND WHEN IT FIRST CAME TO SULTAN'S ATTENTION. ACCORDINGLY, ALTHOUGH WE MAY SUSPECT THERE IS A GOOD BIT OF SLIPPAGE BETWEEN THE DATE HE RECEIVED THE ELLSWORTH LETTER AND THE DATE OF HIS MAY 17 REPLY, WE CANNOT BE AS PRECISE AS WE MIGHT WISH ABOUT THE TIME ELAPSED. IT WOULD SERVE NO PURPOSE TO APPROACH SULTAN ON THE MATTER AND SUGGEST TO HIM THAT

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HE MUST HAVE HAD THE ELLSWORTH LETTER LONG BEFORE THE DATE OF HIS REPLY. WE SHOULD ALSO KEEP IN MIND THAT PRINCE SULTAN IN MUCH OF MARCH AND APRIL WAS ABSENT ON HIS ANNUAL DESERT "HUNTING" TRIP AND THAT ALL CONTACTS WITH THE MINISTRY OF DEFENSE WERE WITH HIS LESS AUTHORITY DEPUTY, PRINCE TURKI.
AKINS

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEE.

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NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, ROYALTIES, MILITARY SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JUN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JIDDA04297
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750208-0629
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750648/aaaabrkc.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 75 JIDDA 4206, 75 STATE 137147, 75 STATE 138345
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 19 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 AUG 2003 by WorrelSW>; APPROVED <04 DEC 2003 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NORTHROP'S AGENT'S FEES
TAGS: PINT, MASS, SA, NORTHROP, (SULTAN, PRINCE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006